

**THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Parent Project for Muscular
Dystrophy Research, Inc.
Hackensack, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of The Parent Project for Muscular Dystrophy Research, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Parent Project for Muscular Dystrophy Research, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, The Parent Project for Muscular Dystrophy Research, Inc. adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. My opinion is not modified with respect to this matter.

April 29, 2020
Hillsborough, NJ

James M. Wood, CPA

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash & cash equivalents	\$ 3,834,862	\$ 4,748,070
Grants receivable	-	283,578
Pledges & accounts receivable	584,939	504,681
Total financial assets	<u>4,419,801</u>	<u>5,536,329</u>
Employee advances	6,837	3,168
Merchandise inventory	25,728	12,452
Prepaid expenses	204,312	124,003
Total current assets	<u>4,656,678</u>	<u>5,675,952</u>
Property & equipment		
Office equipment	127,188	111,231
Office furniture	37,810	37,810
Leasehold improvements	6,180	6,180
	<u>171,178</u>	<u>155,221</u>
Less accumulated depreciation	<u>(136,921)</u>	<u>(121,011)</u>
	34,257	34,210
Other assets		
Security deposit	<u>22,607</u>	<u>22,607</u>
	<u>\$ 4,713,542</u>	<u>\$ 5,732,769</u>
Liabilities & Net Assets		
Current liabilities		
Accounts payable & accrued expenses	\$ 195,776	\$ 150,381
Grants received in advance	25,000	1,547,974
Research grants payable	141,094	265,421
	<u>361,870</u>	<u>1,963,776</u>
Net assets		
Without donor restrictions	3,509,682	3,768,993
With donor restrictions	841,990	-
	<u>4,351,672</u>	<u>3,768,993</u>
	<u>\$ 4,713,542</u>	<u>\$ 5,732,769</u>

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		2018	
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction
Public Support				
Contributions & grants	\$ 4,697,666	\$ 4,950,499	\$ 4,836,798	\$ 2,773,566
Conference income	420,660	-	319,960	-
Fees for service	265,711	-	123,539	-
Special events				
Gross income	1,419,626	-	1,400,568	-
Direct expense	(320,727)	-	(383,625)	-
	<u>1,098,899</u>	<u>1,098,899</u>	<u>1,016,943</u>	<u>1,016,943</u>
	6,482,936	4,950,499	6,297,240	2,773,566
		<u>11,433,435</u>		<u>9,070,806</u>
Investment Income				
Interest & dividends	883	-	1,654	-
Gain (loss) on sale of donated securities	1,349	-	(1,301)	-
	<u>2,232</u>	<u>2,232</u>	<u>353</u>	<u>353</u>
	6,485,168	4,950,499	6,297,593	2,773,566
	4,108,509	(4,108,509)	2,773,566	(2,773,566)
Assets released from restriction				
	<u>10,593,677</u>	<u>841,990</u>	<u>9,071,159</u>	<u>9,071,159</u>
Functional Expenses				
Program services				
Research	7,647,985	-	5,567,449	-
Education	1,407,262	-	1,453,468	-
Advocacy	420,166	-	512,130	-
	<u>9,475,413</u>	<u>9,475,413</u>	<u>7,533,047</u>	<u>7,533,047</u>
Supporting services				
Management & general	597,133	-	463,572	-
Fund raising	780,442	-	691,616	-
	<u>1,377,575</u>	<u>1,377,575</u>	<u>1,155,188</u>	<u>1,155,188</u>
	10,852,988	-	8,688,235	-
Total expenses				
	<u>(259,311)</u>	<u>841,990</u>	<u>382,924</u>	<u>-</u>
Increase (decrease) in net assets				
	3,768,993	-	3,386,069	-
Net assets, beginning of year				
	<u>\$ 3,509,682</u>	<u>\$ 841,990</u>	<u>\$ 3,768,993</u>	<u>\$ -</u>
Net assets, end of year				
				<u>\$ 3,768,993</u>

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019				2018				
	Program Services		Supporting Services		Program Services		Supporting Services		
	Research	Education	Advocacy	Total	Management & General	Fund Raising	Total	Total Expenses	2018 Total
Salaries	\$ 1,181,128	\$ 594,953	\$ 90,988	\$ 1,867,069	\$ 347,281	\$ 424,778	\$ 772,059	\$ 2,639,128	\$ 2,331,551
Payroll tax & fringe benefits	220,740	111,349	17,236	349,325	60,210	78,855	139,065	488,390	380,744
	1,401,868	706,302	108,224	2,216,394	407,491	503,633	911,124	3,127,518	2,712,295
Grants	4,455,275	-	-	4,455,275	-	-	-	4,455,275	2,393,393
Accounting fees	-	-	-	-	10,506	-	10,506	10,506	18,713
Conferences & meetings	117,408	266,044	55,417	438,869	1,298	214	1,512	440,381	701,950
Legal counsel	77,579	-	-	77,579	7,705	-	7,705	85,284	121,845
Bank charges	-	-	-	-	21,545	30,951	52,496	52,496	69,040
Fees & permits	43,457	4,051	8,120	55,628	1,892	9,296	11,188	66,816	59,074
Insurance	5,385	3,992	543	9,920	4,456	2,388	6,844	16,764	22,689
Office expenses & supplies	28,160	24,680	2,033	54,873	20,603	8,854	29,457	84,330	69,245
Technology	505,456	96,755	2,894	605,105	38,085	125,642	163,727	768,832	293,392
Rent	41,433	50,403	21,588	113,424	18,350	35,352	53,702	167,126	153,144
Postage & shipping	11,633	6,290	897	18,820	3,433	8,256	11,689	30,509	24,615
Printing & publications	37,178	10,604	1,724	49,506	12,965	18,594	31,559	81,065	66,794
Consulting expense	459,716	4,888	117,628	582,232	20,115	1,254	21,369	603,601	1,430,147
Telephone	11,151	6,481	1,494	19,126	1,906	3,780	5,686	24,812	41,992
Utilities	4,199	5,440	545	10,184	4,864	4,687	9,551	19,735	17,356
Merchandise	-	4,046	-	4,046	3,139	-	3,139	7,185	28,492
Travel	299,128	41,338	47,670	388,136	10,802	22,904	33,706	421,842	394,959
Meals	141,020	172,488	50,864	364,372	6,462	2,167	8,629	373,001	54,591
	7,640,046	1,403,802	419,641	9,463,489	595,617	777,972	1,373,589	10,837,078	8,673,726
Depreciation	7,939	3,460	525	11,924	1,516	2,470	3,986	15,910	14,509
Total functional expenses	\$ 7,647,985	\$ 1,407,262	\$ 420,166	\$ 9,475,413	\$ 597,133	\$ 780,442	\$ 1,377,575	\$ 10,852,988	\$ 8,688,235

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

2018

	Program Services				Supporting Services			Total Expenses
	Research	Education	Advocacy	Total	Management & General	Fund Raising	Total	
Salaries	\$ 1,047,711	\$ 609,001	\$ 140,359	\$ 1,797,071	\$ 179,152	\$ 355,328	\$ 534,480	\$ 2,331,551
Payroll tax & fringe benefits	180,184	100,021	22,831	303,036	18,921	58,787	77,708	380,744
	<u>1,227,895</u>	<u>709,022</u>	<u>163,190</u>	<u>2,100,107</u>	<u>198,073</u>	<u>414,115</u>	<u>612,188</u>	<u>2,712,295</u>
Grants	2,393,393	-	-	2,393,393	-	-	-	2,393,393
Accounting fees	-	-	-	-	18,713	-	18,713	18,713
Conferences & meetings	105,609	475,032	116,193	696,834	3,757	1,359	5,116	701,950
Legal counsel	107,590	5,224	1,159	113,973	4,779	3,093	7,872	121,845
Bank charges	-	-	-	-	50,907	18,133	69,040	69,040
Fees & permits	30,092	449	1,093	31,634	14,656	12,784	27,440	59,074
Insurance	7,287	5,403	734	13,424	6,030	3,235	9,265	22,689
Office expenses & supplies	28,340	9,344	2,497	40,181	21,953	7,111	29,064	69,245
Technology	117,777	15,577	3,662	137,016	47,237	109,139	156,376	293,392
Rent	52,012	57,163	3,780	112,955	7,195	32,994	40,189	153,144
Postage & shipping	7,521	7,616	1,253	16,390	2,235	5,990	8,225	24,615
Printing & publications	24,603	7,613	3,792	36,008	13,912	16,874	30,786	66,794
Consulting expense	1,114,972	94,611	172,268	1,381,851	33,396	14,900	48,296	1,430,147
Telephone	18,871	10,968	2,528	32,367	3,225	6,400	9,625	41,992
Utilities	4,571	6,443	386	11,400	2,496	3,460	5,956	17,356
Merchandise	2,170	5,336	238	7,744	16,841	3,907	20,748	28,492
Travel	278,302	37,032	36,158	351,492	10,390	33,077	43,467	394,959
Meals	39,924	2,845	2,325	45,094	6,663	2,834	9,497	54,591
	<u>5,560,929</u>	<u>1,449,678</u>	<u>511,256</u>	<u>7,521,863</u>	<u>462,458</u>	<u>689,405</u>	<u>1,151,863</u>	<u>8,673,726</u>
Depreciation	6,520	3,790	874	11,184	1,114	2,211	3,325	14,509
Total functional expenses	\$ <u>5,567,449</u>	\$ <u>1,453,468</u>	\$ <u>512,130</u>	\$ <u>7,533,047</u>	\$ <u>463,572</u>	\$ <u>691,616</u>	\$ <u>1,155,188</u>	\$ <u>8,688,235</u>

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ 582,679	\$ 382,924
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	15,910	14,509
(Gain) loss on sale of donated securities	(1,349)	1,301
Receipt of gifts of marketable securities	(779,260)	(198,320)
(Increase) decrease in:		
Grants receivable	283,578	144,419
Pledges & accounts receivable	(80,258)	92,912
Employee advances	(3,669)	3,638
Merchandise inventory	(13,276)	12,926
Prepaid grants	-	41,667
Prepaid expenses	(80,309)	23,609
Increase (decrease) in:		
Accounts payable & accrued expenses	45,395	80,874
Grants received in advance	(1,522,974)	739,623
Research grants payable	<u>(124,327)</u>	<u>(259,445)</u>
Cash (used in) provided by operating activities	(1,677,860)	1,080,637
Cash flows from investing activities		
Acquisition of fixed assets	(15,957)	(9,916)
Proceeds from sale of investments received as contributions	<u>780,609</u>	<u>197,019</u>
Cash provided by investing activities	<u>764,652</u>	<u>187,103</u>
Net (decrease) increase in cash & cash equivalents	(913,208)	1,267,740
Cash & cash equivalents		
Beginning of year	<u>4,748,070</u>	<u>3,480,330</u>
End of year	\$ <u><u>3,834,862</u></u>	\$ <u><u>4,748,070</u></u>

THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

(1) **Summary of Significant Accounting Policies**

Nature of activities

The Parent Project for Muscular Dystrophy Research, Inc. (the Parent Project) raises funds for research programs to find a viable treatment and cure specifically for children afflicted with Duchenne and Becker Muscular Dystrophy. The Parent Project also educates parents, health care providers, and the general public about Muscular Dystrophy through conferences, pamphlets, and brochures. In addition, a legislative conference is sponsored for the purpose of educational advocacy and the Parent Project indirectly influences the National Institutes of Health (NIH) implementation of the MD Care Act through outside consultants. The Parent Project operates throughout the United States, but collaborates with organizations around the world.

Financial statement presentation

The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Parent Project reports its statements of financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. As of December 31, 2019 and 2018, the Parent Project has net assets with donor restrictions and without donor restrictions.

Cash & cash equivalents

The financial statement item "cash & cash equivalents" consists of demand deposits, including money market funds, in depository financial institutions.

Contributions

Contributions received are recognized as revenue when pledged. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed conditions.

Grants

Grants received from foundations and corporations are treated as contributions and are recorded as without or with donor restrictions depending on the nature of any donor imposed conditions. Grants which are conditional in nature are recognized when the underlying conditions are substantially satisfied.

Fees for service

Fees from professional services are recognized when the related services are rendered.

Grants, pledges and accounts receivable

Receivables are considered to be fully collectible; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Premises & equipment

Acquisitions of premises and equipment with estimated useful lives in excess of one year are capitalized and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the life of the asset or the length of the lease, whichever is shorter.

THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Functional expenses

Expenses are charged to each program based on direct expenditures incurred. Any expenses not directly chargeable are allocated to programs and supporting services based on applicable rates determined by management.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit and funding risk

Financial instruments that potentially expose the Parent Project to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. The Parent Project has not experienced any losses on its cash or cash equivalents.

Research grants

The Parent Project recognizes the liability for research grants when grants are awarded as stipulated under the research grant agreements. Liabilities of \$141,094 and \$265,421 were recognized according to the outstanding research grant agreements at December 31, 2019 and 2018, respectively. In certain instances, the Parent Project will make grant payments in advance of research being performed, which results in prepaid grants being recorded as an asset. There were no prepaid grants as of December 31, 2019 and 2018.

Merchandise inventory

Merchandise inventory is stated at lower-of-cost or market, determined by specific identification.

Accounting for uncertainty in income taxes

The Parent Project's accounting policy is to disclose contingencies relating to uncertain tax positions when a liability is probable and estimable. The Parent Project is not aware of any violation of tax status or exposure to uncertain tax positions that could require disclosure or which could affect its liquidity or future cash flows. The Parent Project's exempt organization filings for the years ended December 31, 2016 through 2019 are subject to examination by the Internal Revenue Service. Further, the Internal Revenue Service may examine the Parent Project's financial activities for income and unrelated business income tax for those years.

New accounting pronouncements

During the year ended December 31, 2019, the Parent Project adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Under the guidance, foundation grants are treated as contributions unless conditional in nature. The Update was adopted on a modified prospective basis; foundation and corporation grants previously recognized as liabilities until expended were recognized as revenue. Due to this ASU, \$841,990 was recognized as additional grant income with donor restrictions during 2019.

**THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance, lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

(2) Operating Lease Commitments

The Parent Project is obligated under the terms of leases for premises and certain equipment as follows:

<u>Year ending December 31</u>	
2020	\$140,131
2021	91,276
2022	<u>9,379</u>
	<u>\$240,786</u>

Rent expense totaled \$167,126 and \$153,143 for the years ended December 31, 2019 and 2018, respectively.

(3) Retirement Plan

The Parent Project sponsors a 401(k) profit sharing plan covering substantially all employees. The Parent Project contributes a base amount of 3% of eligible compensation and matches up to an additional 2% of employee elective deferrals. Employees are eligible to participate on their first day of employment. For the years ended December 31, 2019 and 2018, contributions to the plan totaled \$118,812 and \$90,600, respectively.

(4) Income Tax Status

The Parent Project qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for income taxes. All applicable returns for the exempt organization are filed in a timely manner. The Parent Project is liable for payment of payroll taxes as an employer; all such amounts are paid in a timely manner as required by state and federal regulations

(5) Special Events

During the years ended December 31, 2019 and 2018, the Parent Project held various events with the following results:

	<u>2019</u>	<u>2018</u>
Gross revenue	\$1,419,626	\$1,400,568
Direct expense	<u>(320,727)</u>	<u>(383,625)</u>
	<u>\$1,098,899</u>	<u>\$1,016,943</u>

(6) Line of credit

The Parent Project has an available \$250,000 line of credit with a bank which is subject to renewal in July 2020. Interest on the outstanding balance accrues at the rate of 7.25%. The Parent Project had no outstanding balance on the line of credit as of December 31, 2019 and 2018.

THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
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(7) **Net Assets**

With Donor Restrictions

The nature of net assets with donor restrictions, subject to expenditure for specified purpose, is as follows as of December 31, 2019

Duchenne Registry Initiative	\$423,257
Cardiac Initiative	85,366
Cardiac/Gene Therapy Initiative	<u>333,367</u>
	<u>\$841,990</u>

Net assets released from restriction are as follows for the year ended December 31, 2019:

Duchenne Registry Initiative	\$ 686,144
Care Initiative	221,000
Research Initiative	<u>3,201,365</u>
	<u>\$4,108,509</u>

As described in Note 1, net assets with donor restrictions are the result of adopting ASU No. 2018-08 as of January 1, 2019. Prior to that, grants from foundations and corporations were recognized as income when the grant-funded expenses were incurred.

(8) **Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, are comprised of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$3,834,862	\$4,748,070
Grants receivable	-	283,578
Pledges and accounts receivable	<u>584,939</u>	<u>504,681</u>
Financial Assets	4,419,801	5,536,329
Less:		
Donor Restrictions	<u>841,990</u>	-
Financial assets available for general expenditure	<u>\$3,577,811</u>	<u>\$5,536,329</u>

As part of the Parent Project's liquidity management plan, cash in excess of daily requirements is invested in interest-bearing demand deposits. The Parent Project also has an available line of credit in the amount of \$250,000 to assist with cash flow requirements.

(9) **Management Evaluation of Subsequent Events**

Management has evaluated subsequent events through April 29, 2020, the date which the financial statements are available to be issued.